

CHARITABLE CHATTER

The Department of Charitable Gaming Newsletter

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IT'S THAT TIME AGAIN --- Don't forget that Quarterly Reports must be postmarked by October 30, 2002.

Commissioner's Corner

The Department has had several employee changes in the last quarter. We have lost six (6) employees, all to bigger and better things. Cheryl Wainscott, Director of Licensing and Compliance, Jim Boggs, Branch Manager of Investigations, Jerry Amos, Investigator, and Judy LeMaster, the Commissioner's secretary, have retired. Lorrina Blevins, a licensing reviewer, has moved to another agency (1) in which she can better apply her education and training. Robert Stone, auditor, has also moved to another agency where he will have a job that better utilizes his skill and experience. While we will miss them, we send them off with good luck and best wishes in their new endeavors.

We have hired one (1) new employee, Ben Murphy, to fill the auditor position and we are happy to announce that three (3) current employees have been promoted to fill the other positions. Tammy Downey, the secretary for the Division of Licensing and Compliance has been hired as the new licensing reviewer, and Mike Loran, presently a Compliance Officer, has been hired as an investigator.

Leah Cooper, formerly a staff attorney, has been appointed to head the Division of Licensing and Compliance. Leah is originally from Bowling Green, KY, and attended Centre College, and the University of Kentucky College of Law. Her professional experience includes private law practice in Paducah, serving as an Assistant Commonwealth Attorney in Calloway and Marshall Counties, and as a law clerk to the Honorable Edward H. Johnstone, Judge, United States District Court for the Western District of Kentucky.

Please join us in welcoming both the new employee and the former employees in their new positions.

The Department is also excited about the Charitable Gaming Conference scheduled for November 22-23, 2002 at the Holiday Inn on Fern Valley Road in Louisville, KY. There the organizations will be able to come together to discuss charitable gaming issues, receive training, and view products. The details are outlined below. We hope all of the licensees can attend.

CHARITABLE GAMING CONFERENCE

The Department will be hosting a Charitable Gaming Conference on November 22-23, 2002 at the Holiday Inn, Fern Valley Road, Louisville, KY. The agenda for the Conference is as follows:

Friday, November 22, 2002	10am-7pm	Exhibit Hall Open
	12:00pm	Registration
	1 pm – 2 pm	IRS Requirements for Charities
	1 pm – 2 pm	Training for Facilities and Distributors
	2:15	Break
	2:30-4:30pm	Legislative Roundtable
Saturday, November 23, 2002	8am-4pm	Exhibit Hall Open
	9:00 am	Break Out Training Session
	10:15 am	Break
	10:30 am	Break Out Training Session
	11:30 am	Lunch on your own
	1:00 pm	Break Out Training Session
	2:15 pm	Break
	2:30 pm	Break Out Training Session

The Manufacturers and Distributors are invited to exhibit any of their products that are approved in any charitable gaming state. Manufacturers, Distributors, and Facilities should contact Leann Jacobs with Holiday Inn at 502-964-3311 ext. 2414 regarding booth space and your exhibit requirements by October 15, 2002.

If you need to reserve a hotel room, contact Ms. Jacobs by November 15, 2002. The nightly room rate is \$72.00.

Please let the Department know you plan to attend by contacting Lori Mills, no later than November 15, 2002.

We look forward to seeing you there! As always, please let the Department know if we can assist you in any way.

Ray Franklin, Commissioner

THINGS TO THINK ABOUT

40% Compliance

Charities should check their 40% compliance after every quarter. Please call the office no sooner than thirty (30) days after your Quarterly Report is filed and find out your retention percentage. If it is below 40%, find ways to make more money or reduce expenses. Some ideas may include the addition of a raffle, cutting payouts, having a charity fundraising event, renegotiating the lease to reduce rent, or not keeping as many supplies in inventory. Remember, if you renegotiate the lease to reduce rent you **MUST** send a copy of the new lease to the Department. Starting now, charities falling below 40% will be notified after the 2nd quarter when they might still have time before the end of the year to turn things around and increase their percentage.

Contracts

The Department has had several calls from both organizations and facilities asking about the enforcement of leases. The lease for rental space is a contract between the organization and the facility. This is the same as any contract the organization may sign, including contracts with distributors for supplies. The Department has no authority to enforce these contracts. Organizations should have an attorney review any contract before it is signed to ensure that the terms of the contract include everything required by the organization.

In the case of leases, the provisions should include how to get out of the contract if the charity decides to change locations or not to game at all, or if the charity loses its license for some reason. The provisions should also address storage space for supplies and the storage of card-minding devices if applicable. The charity may also want to lease time before and after their gaming session to allow them to set up and clean up without having another charity gaming right up until the other organizations time slot.

In the case of contracts with suppliers for equipment and supplies, these contracts should include provisions regarding what happens if the charity quits gaming, changes location, or changes the type of supplies needed.

Handling expenses shared by more than one Charity

A question has arisen about how Charities should handle expenses that they share with other charities so that these expenses are correctly and accurately reported on Page 1, Part 2 and Attachment A of the Quarterly Report. The specific question is how should these expenses be handled in the situation where:

1. Organization A pays an authorized expense on behalf of itself and at least one other organization; and
2. The other organization(s) reimburses Organization A for its proportionate share of the expense.

One particular example concerns accounting for utilities incidental to charitable gaming when one organization pays the entire utility bill and is reimbursed by several other organizations. In these situations, Organization A should pay the entire expense from its general account. It should then write a check or make a transfer out of its charitable gaming account to its general account for its proportionate share of the expense and report the check or transfer on Attachment A to the CG-QR, including on Page 1, Part 2 of the CG-QR. Any other organizations paying their proportionate share of the expense should write a check from their charitable gaming accounts made payable to Organization A and report their proportionate shares on Page 1, Part 2 of the Quarterly Report. Organization A should deposit those checks into its general account – not its charitable gaming account. Each organization to which this procedure would apply should carefully describe the transaction in the appropriate sections of the CG-QR so that it is clear to the Department what occurred.

Should any Organization has questions or comments concerning this matter, please contact Scott Jones, General Counsel or Leah R. Cooper, Director of Licensing & Compliance.

Renewals and Gaming Changes

Renewals must be filed no later than sixty (60) days prior to the expiration of the license. If the renewal is not filed by that time, the Department cannot guarantee that the renewal license can be issued before the expiration of the license. 820 KAR 1:015. Also, KRS 238.540 (1) requires that “(a) license holder shall notify the department at least thirty (30) days in advance of its intent to change its location, date, or time & approval by the department shall be received by the license prior to the conduct of charitable gaming at a new location.”

U-Pik-‘Em and Double Action Bingo

Questions have arisen about whether the games “U-Pik-Em” and “Double Action Bingo,” and other games like them, are allowable under the statute and regulations. Examples of the faces are shown below. Neither of these games are allowable because they do not meet the definition of bingo card or face. The statute defines “bingo” as “a specific game of chance in which participants use cards or paper sheets, or card-minding device representations thereof, divided into horizontal and vertical spaces, each of which is designated by a letter and a number, and prizes are awarded on the basis of the letters and numbers on the card conforming to a predetermined and preannounced configuration of letters and numbers selected at random.” KRS 238.505(4).

The regulations define “card” or “face” as “a card or paper containing: five (5) rows of five (5) squares with twenty-four (24) preprinted numbers; a free center space; and the letters “B”, “I”, “N”, “G”, “O” printed in order over the five (5) columns.” 820 KAR 1:001 Section 1 (2).

The U-Pik-Em game does not have five (5) rows or five (5) squares with pre-printed numbers. Double Action Bingo has forty-eight (48) preprinted numbers instead of twenty-four (24). You may finish playing any of these games that you have purchased but do not purchase any other games.